

PRICE ONE PENNY.

THE
LOGIC OF FREE TRADE.

BY
JOHN WATTS, Ph.D.

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THE LOGIC OF FREE TRADE.

1. **A**LL the riches of mankind come directly or remotely out of the ground, some spontaneously, and some with more or less of labour and care.

2. A man is rich according to his command over the necessities and luxuries of life, or according to his capacity for producing or acquiring them. Thus an extensive land-owner or large capitalist is rich, by his possession of the spontaneous fruits of the soil, or by his command over the labour of other men for the production of such as require labour; whilst a clever workman may grow rich, by selling his labour to a capitalist, and economising his wages so as to acquire such command.

3. A country is *naturally* rich when it produces the necessities and luxuries of life spontaneously, or with only a small amount of labour; and that country is *naturally richest* which produces them most plentifully with the smallest amount of labour. Thus the Western States of North America are rich, because they produce cattle, wheat, and Indian corn in plenty, with a very small amount of labour; the West Indian islands

are rich, because they produce coffee and sugar with only a small amount of labour ; South and West Africa are rich, in their produce of palm oil and spices, ivory and cotton, almost without labour ; whilst the South Sea Islands are rich, because a bread-fruit tree once planted in one of them will produce spontaneously, food enough for a man for a generation.

4. A country which is not naturally rich may become rich, by the possession and exercise of extra capacity and extra industry by its inhabitants. Thus England, which does not produce many of the necessities of life spontaneously, has yet, by the extra intellectual capacity and extra industry of its people, become the richest country of the world, in its command over both the necessities and luxuries of life.

5. A country may be naturally rich in some useful products, and naturally poor in others ; and two such countries being naturally rich in different products, may, by an exchange of such products, enrich each other, and save their respective inhabitants much labour thereby. Thus England is naturally rich in coal and iron ; Australia is naturally rich in gold, whilst it also produces wool and tallow in plenty, with only a small amount of labour ; Italy is naturally rich in various kinds of marble, and it produces many fruits and excellent silk, with only a small amount of labour ; China is naturally rich in porcelain clay, and it produces tea, and rice, and silk, with a very small amount of labour ; East India is naturally rich in many useful fibres, and it produces many kinds of grain and pulse with great facility ; the Southern States of North America are naturally rich in cotton, which they have so acclimatised as to make it their staple product ; Southern France, and Spain,

and Portugal are naturally rich in vineyards; and Russia is naturally rich in gold and in furs, and it produces corn and flax largely with very little labour.

6. A country may, by devoting itself chiefly to the production of the articles best suited to its climate and the genius of its people, and by exchanging the surplus of such products with other nations, maintain with ease, and in comfort, a much larger population than it could maintain at all by trying to produce at home for all the needs of its people.

7. England needs tea, coffee, sugar, Indian corn, rice, sago, cotton, jute, and many other fibres, none of which it can produce at all. It needs raw silk, which it could only produce with great difficulty. It also needs much more wheat, barley, and oats, much more of animal food and skins, and especially of wool, than it can produce at home. On the other hand, England produces much more coal and iron than it can use up, and more machinery than it can employ; and it manufactures much more cotton, linen, and woollen cloth, and much more cutlery and hardware than it can consume; and it produces most of these things more cheaply than other nations can do. By exchanging the surplus of these latter commodities for the produce of various other countries, Great Britain maintains to-day a population of 30,000,000 persons in much greater comfort than 18,687,000 were maintained by it in 1841. One-half of the food, and much more than one-half of the materials of the clothing of the English people now come from abroad; and if, by any change of policy on the part of the nation these large imports should cease, at least one-half of the people would be obliged to seek subsistence in foreign climes, or would experience

in an increased degree the sad conditions which were endured by their parents and grandparents in the first half of the present century.

8. Any artificial hindrances to exchanges of products between nations, whether by prohibitive laws or by customs duties, or by any other means, will necessarily lessen imports, and, by creating scarcity of the prohibited and taxed articles, will raise the prices of the corresponding home products which will replace them, and will thereby impoverish the consumers, who must then work harder for a given quantity of the taxed, than they now have to do for the untaxed articles. Thus, tobacco is not permitted to be grown in England for trading purposes, and the consumer of the imported article pays at least four times its natural value for it. Tea is taxed, and the tea-drinker has to pay at least twice the natural value of the beverage. Wines and spirits are taxed, and the consumer of foreign wines, and of spirits, whether of home or foreign manufacture, has to pay at least double the natural value of the products. And wherever imported goods are taxed, similar results must necessarily follow, for the importers and the dealers will want from the consumer not only the customs duty which they have paid, but a profit thereon for the use of their capital. Some people profess to think that foreigners pay the taxes on imported goods ; but the fact is that English merchants send ships to all parts of the world, buy the foreign goods where they are produced, and bring them home for sale, the foreign producer knowing nothing of our customs duties. But a country which by law prohibits or hinders exchanges of goods, injures first the producing nations, by narrowing their market and so lessening their stimulant to production, and it thus, by hindering

production, reduces the riches of the world. And, second, it injures its own people still more—1st, by deprivation of the prohibited articles, and by raising the prices of those which are taxed; 2nd, by rendering necessary a larger capital for the trade in these articles because of the enhanced prices due to taxation, thus injuring the trader as well as the consumer; 3rd, by removing the competitive stimulus to improvement in the home products, and thus enabling the home producer to charge a high price for a common article. For, example, in consequence of the American *protective* tariff, the prices of clothing in that country are so high, that a bride and bridegroom coming from the United States in their ordinary clothing to England, and purchasing a complete outfit in this country, could almost save the cost of the voyage out and home, in the lower prices ruling in this country compared with those in the United States.

10. A nation which exacts customs duties on imports in order to protect the home producers of similar articles, lessens the stimulant to production, and lessens the supply of the fruits of the earth and of man's ingenuity, to its whole people, for the present benefit of the few producers of the same kind of articles at home; it also lessens the liberty and power of purchase of its whole people, for by producing artificial scarcity it enforces the payment of higher prices for home produce than would otherwise be necessary; and it hands over the difference between the natural and the taxation price, to the few home producers. These home producers being freed from foreign competition by the tax on imported goods, make less effort at improvement, and so eventually lose the trade of neutral foreign markets, which passes to those whose whole energies are engaged in producing 'cheaply and well. Thus, whilst the

whole of the foreign producers, and the whole of the home consumers would in such a case be injured at first, even the few *protected* home producers would be ultimately injured also.

11. A nation which, in order to encourage a foreign trade, gives a "*Bounty*" to the exporters of produce, lays a tax upon the whole of its people, and hands it over to the exporters, who in turn hand it to the foreign traders in and the foreign consumers of such produce; and thus, by enabling home producers to find a market abroad at the expense of their fellow-countrymen, does away with all necessity for improvements in the rate or the quality of such productions. Thus, France, which cannot produce beetroot sugar to compete with English refined cane sugar, pays the French producers a certain sum per cwt. for every cargo of beetroot sugar which they export, in order to secure for them the English and other markets for that article. The consequence is, that the French manufacturers and workmen employed in the production of beetroot sugar, are paupers upon the French nation, which has not only to pay a tax to keep them going, but has also to pay more than the natural price for the sugar consumed at home, whilst the British people get French loaf sugar at an unnaturally low price, to the injury, however, of the British sugar refiners, and of their workpeople.

12. A nation which adopts a protective tariff upon some particular articles, under the plea that it is necessary because other nations do so, admits that the principle of *protection* is bad; but affirms at the same time that an evil done by others, justifies evil being done by us in return; or in other words, that a *reciprocity* of evil, is not evil. Thus the French nation taxes English manufactured alpaca and cotton cloths, thereby

forcing their own people to pay more for, and consume less of these articles than they would otherwise do. They also oblige a larger capital to be used by French merchants than would otherwise be necessary to conduct the trade in these articles, and they thereby lessen the profits of the French tradesmen ; they at the same time restrict the export business of English manufacturers and merchants in these articles, and because production must always shrink to the level of consumption, they, by restricting our market, thereby lessen the production of wealth in England, to the injury of the whole world. And because the French adopt this foolish policy in regard to some articles of English production, some English people urge that we ought to tax imports coming from France, and so further lessen the production of wealth, and further injure the whole world, by a *reciprocity of evil*. But we only buy from or sell to France for our own advantage. We believe, of course, that it is to their advantage also. Ought we, if they refuse to lower their tariff to enable us to advantage ourselves still more, to throw away the advantages which we now have ? Our exports to France, before the French treaty (say in 1855) were about £10,400,000 per annum, whilst under that treaty they have averaged £26,700,000 per annum. How much should we increase our exports to France by taxing and hindering their imports into this country ?

13. But the value of a principle is to be tested by its effects when applied universally ; and if England should again adopt the principle of protection, she ought in fairness to tax every foreign import which is cheaper than the same kind of article produced at home, in order to protect the home producers all round. The amount of the tax should in each instance, of course, be

sufficient to prevent the possibility of the foreign article being sold under the English price, otherwise it is not protective. But the adoption of this course would throw away all the advantages of exchanging products with more fertile countries, or with more ingenious peoples, and our imports would then shortly be confined either to such articles as cannot be produced at home at all, or to such as can only be produced in very small quantities. And as we could not continue to export without importing, our export trade would also necessarily shrink, and home employment would fall off, so that a large proportion of the population must be expatriated, to seek food and the material of clothing where they are produced with less labour, instead of having it brought to them at home ; whilst the comfort of the remainder would be seriously reduced by the higher prices which would then be required for many articles of prime necessity. Germany has lately adopted this *protective* plan, and the consequence is an immense increase of emigration from the fatherland, principally to the United States of America.

14. High American authorities tell us that, owing to the increasing facilities of transit, and the growing perfection of scientific appliances, good wheat from the virgin soil of the Western States, will shortly be laid down in Liverpool at 40s. per quarter, with prime fresh beef and mutton at 7d. per lb. Similar arrangements may also bring us mutton from Australia, where at present sheep are valued only for their skins and their tallow. Ought we to refuse to receive these supplies of cheap food for our people, and so refuse to lessen the poverty and pauperism amongst us ? During the agitation for the repeal of the Corn Laws, it was said that the English farmers could not live under 80s. per quarter for their wheat ; but foreign com-

petition has taught them differently. Prime beef and mutton are now sold in England at from 10d. to 11d. per lb. How much protective duty will be required on these articles in order to satisfy the English farmer? And how much would England gain by such revenge upon the American tariff? Is it not wiser to encourage the English farmers to look for security of tenure, compensation for improvements, and, if necessary, lower rents, and so enable them to produce cheaper food?

15. The silk manufacture has always been a precarious trade in England, and it has consequently always been the stalking horse of protection. By wearing *cheap* French or Swiss silks our people have more money to spend upon other home products; ought we to try and prevent the enjoyment of cheap silk tissues simply because they are made by our brothers in France and Switzerland instead of by our brothers in Coventry and Macclesfield? How much protective duty would be required on silk tissues to shut out French and Swiss silk goods from England in order to please the Spitalfields, Coventry, Derby, Macclesfield, and Congleton manufacturers? And what would then be the price of silk and ribbon tissues in England? And how would the result improve our trade with France and Switzerland? If we bought none of their goods, how could they buy any of ours?

16. The United States and Swiss peoples make low-priced clocks and watches by machinery, whilst the people of Clerkenwell, Liverpool, and Coventry still make them principally by hand labour. Ought we to prevent hundreds of thousands of our people from using clocks and watches by making them dear? How much protection would be needed to enable

the various English manufacturers to get satisfactory prices for their work, and to shut out foreign made clocks and watches? And whence then would come the stimulus for improvement in the manufacture of these articles at home?

17. A large trade is now done in French-made boots and shoes, principally for ladies' wear; but this trade is also a speciality at Street in Devon, at Northampton, and at Leicester. If the English export trade in these articles were lessened by our lessened imports of other goods from various foreign countries, consequent upon the adoption of a protective tariff in other matters, would not our manufacturers of boots and shoes also require to be made secure of the home market against all foreigners? And what would then be the prices of English-made boots and shoes? And how would a multiplication of bare feet benefit the nation?

18. Russia imposes a considerable tariff on English manufactures, but we still send goods to Russia amounting to from £10,000,000 to £11,000,000 per annum; how would this trade be improved by taxing Russian flax and tallow and wheat, all of which we absolutely need in this country, and of which, with other products, we now import to the extent of £15,000,000 or £16,000,000 per annum?

19. The *Financial Reform Almanack* says, "Out of every shilling paid over the shop counter for cocoa, 2d. is for the tax; for coffee, 3½d.; for currants, 5d.; for raisins, 4d.; and for tea, 8d." How would the people of England be advantaged by extending this system of taxation to all foreign-grown or foreign-manufactured commodities, especially since they must pay to the trader a

further sum, as profit on the money which he invests in the tax?

20. The total export trade of England in 1840 (when we had a protective tariff) was £51,308,740, whilst in 1879, under partial free-trade, it was £191,531,758. Is it really worth while to try the old plan again after such experience? Would it not be better to take a further step towards complete free-trade, by untaxing tea, coffee, cocoa, chicory, raisins, currants, and other dried fruits, and also by untaxing foreign wines, and thus by a sacrifice of $6\frac{1}{2}$ millions per annum of present revenue, still further extend our trade with China and India, with France and Spain, and with various other countries, and so to increase our home revenue?

21. Some people cry out because occasionally we have to export bullion instead of manufactured products, but really gold is chiefly an instrument of exchange, and a nation is not necessarily worse off because it first exchanges manufactured goods for gold in one country, and then exchanges that gold for the produce of another country. A nation will not continue to export either manufactured goods or gold except for an advantage, and when gold is first imported by an exchange for manufactures, and then exported either for food or manufactured produce of other kinds, it is probable that a double profit is gained thereby.

22. The genius of the English people is for liberty. Our fathers have set an example to the world by establishing as the birthright of their posterity, liberty of thought and expression, combined with liberty of action for each man, so long as it

does not interfere with the liberty of others. In the days of negro slavery an escape to England, to an English colony, or even to an English ship meant freedom ; and the political refugees from other nations still find safety and freedom in England. England has also set the example of free commerce with the whole world, and just as she has secured the highest position amongst nations by her political liberty, so has she also attained to the greatest material wealth by her commercial liberty. No nation, however rich, can avoid suffering from bad home harvests, but only the most egregious folly will seek to cure the evil of a short supply of food, by artificially rendering clothing, or the material of clothing, also scarce and dear. Yet this is the course proposed by some people who talk of the necessity of "Fair Trade" or "Reciprocity," which, when examined, is found to mean restricted trade, or reciprocity of evil.